



Transcript of
Allowable Ex Parte Briefing

12/11/2019

Piedmont Natural Gas Company, Incorporated;
Duke Energy Carolinas, LLC and Duke Energy
Carolinas, LLC
ND-2019-35-G

COPY

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Allowable Ex Parte Briefing ND-2019-35-G

Piedmont Natural Gas Company, Incorporated; Duke
Energy Progress, LLC and Duke Energy Carolinas, LLC
- Request for Allowable Ex Parte Communication
Briefing for an Update on Atlantic Coast Pipeline

TRANSCRIPT OF ALLOWABLE
PROCEEDINGS

EX PARTE BRIEFING

HEARING BEFORE: Commissioner Florence P. Belser;
Commissioner Thomas J. "Tom" Ervin; Commissioner
Swain E. Whitfield; Commissioner G. O'Neal Hamilton

ADVISOR TO COMMISSION: Joseph M. Melchers,
General Counsel

STAFF: William O. Richardson, Technical Advisory
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Brian S. Heslin, Esq., Deputy General Counsel,
representing and presenting for Duke Energy

Sasha Weintraub, Senior Vice President, representing and
presenting for Piedmont Natural Gas

Joseph McCallister, Managing Director, representing and
presenting for Duke Energy Progress

Jeffrey M. Nelson, Esq., representing the South Carolina
Office of Regulatory Staff

Heather Shirley Smith, Esq., representing Piedmont
National Gas Company, Incorporated; Duke Energy
Progress, LLC and Duke Energy Carolinas, LLC

COURT REPORTER: Julie C. Taradash

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Please note the following inclusions/attachments to the record:

PowerPoint Presentation Slides (PDF) re: "Presentation on Electric Transportation Trends and Opportunities."

1 PROCEEDINGS

2 COMMISSIONER BELSER: Please be seated. Good
3 morning and welcome to this morning's
4 allowable ex parte briefing. This briefing
5 has been requested by Duke Energy Carolinas,
6 LLC; Duke Energy Progress, LLC; and Piedmont
7 Natural Gas. Mr. Melchers, do you have
8 anything to add to the docket?

9 MR. MELCHERS: Not a thing. I'll read the
10 notice if you'd prefer.

11 COMMISSIONER BELSER: Okay. Thank you.

12 MR. MELCHERS: We are here pursuant to a
13 notice of request for allowable ex parte
14 communication briefing scheduled for today,
15 December 11th, here in the Commission's
16 hearing room, and the parties requesting the
17 briefing have already been identified.

18 The subject matter to be discussed at this
19 briefing is "Update on Atlantic Coast
20 Pipeline." Thank you.

21 COMMISSIONER BELSER: We'll now take
22 appearances from the parties.

23 MS. SMITH: Good morning, Commissioners.

24 Thank you. My name is Heather Shirley Smith.

25 I represent Duke Energy Carolinas, Duke Energy

1 Progress, and Piedmont Natural Gas for the
2 purposes of this allowable ex parte. And I
3 can introduce our speakers now, or I can come
4 back up in -- in a moment if you'd allow me?

5 COMMISSIONER BELSER: How about let's do that
6 in a moment?

7 MS. SMITH: All right.

8 COMMISSIONER BELSER: And our third party, our
9 neutral.

10 MR. NELSON: Thank you, Commissioner Belser.
11 Jeff Nelson. I'm here as the representative
12 of the Executive Director of ORS.

13 COMMISSIONER BELSER: Mr. Nelson, do you want
14 to go ahead and give some instructions?

15 MR. NELSON: Yes, ma'am.

16 COMMISSIONER BELSER: Thank you.

17 MR. NELSON: Thank you very much.

18 Good afternoon. I'm Jeff Nelson. I'm the
19 Chief Legal Officer for the Office of
20 Regulatory Staff, and I'm here today as the
21 designee for the Executive Director of ORS.
22 This allowable ex parte, as Mr. Melchers has
23 just stated, is to be presented by Piedmont
24 Natural Gas, Duke Energy Carolinas, and Duke
25 Energy Progress and conducted in accordance

1 with the provisions of Section 58-3-260(C).
2 As the ORS representative, it's my duty to
3 certify the record in this case of the
4 proceeding to the Chief Clerk of the Public
5 Service Commission, Ms. Boyd, within the next
6 72 hours and then verify that it has been
7 conducted in accordance with the statute.

8 The requirements of that statute, 58-3-
9 260(C), are in part that the allowable ex
10 parte be confined to the subject matter which
11 has been noticed. In this case, the
12 issue/noticed topic is "Update on the Atlantic
13 Coast Pipeline." I, therefore, ask the
14 presenters, Commissioners, and anybody else to
15 -- to please limit any discussion to just that
16 topic.

17 Under 58-3-260, participants,
18 Commissioners, and Commission staff are
19 prohibited from requesting or giving "any
20 commitment, predetermination, or prediction
21 regarding any action by any Commissioner as to
22 any ultimate or penultimate issue which either
23 is before or is likely to come before the
24 Commission." Presenters may not ask the
25 Commission for anything, in short, and the

1 Commissioners can't promise anything.
2 I'd also ask that the presenters,
3 Commissioners please try and refrain from
4 referencing any documents that are not
5 specifically included in the presentation
6 because, otherwise, we've got to track those
7 down within 72 hours.

8 Finally, when everybody came in today in
9 the -- in the audience, as well as the
10 presenters, you should have picked up a -- a
11 piece of paper and signed in on the back.
12 Please make sure that you sign and return that
13 document prior to your leaving today. If you
14 don't, we're going to have to track you down,
15 too.

16 I don't have anything further. Thank you
17 very much, Commissioner Belser.

18 COMMISSIONER BELSER: Thank you, Mr. Nelson.
19 Ms. Smith?

20 MS. SMITH: Good morning. First of all, the
21 companies would like to thank the Commission
22 for its time and allowing us to be here today.
23 We also appreciate the Commission allowing us
24 the use of a panel for -- for presentation
25 today.

1 I'd like to note and introduce our
2 speakers. Brian Heslin is here. He is Deputy
3 General Counsel at Duke, and he is an attorney
4 involved in these matters and will be
5 providing a legal update on the status of the
6 proceedings related to Atlantic Coast
7 Pipeline. We also have with us Sasha
8 Weintraub, who is Senior Vice President,
9 Natural Gas Business, for Piedmont Natural
10 Gas; as well as Joseph McCallister, who's our
11 Managing Director, System Optimization Fuels
12 and System Optimization Department, and he is
13 with Duke Energy Progress but, of course,
14 provides services broader than that.

15 Our presenters will tell you a little bit
16 more about their role in this project and what
17 their daily job entails. And with that, I'll
18 also note that our presenters have been
19 instructed of the challenges with having a
20 multi-person panel, and they have committed
21 that they will not talk over each other, no
22 matter how excited they get about the topic.
23 We understand the difficulty with the court
24 reporter and understand the importance of only
25 one voice being heard at one time.

1 And so with that, I'll -- the panel
2 is ready to begin.

3 COMMISSIONER BELSER: Thank you, Ms. Smith.
4 Who's going first?

5 MR. HESLIN: That would be me. And -- and
6 thank you, Commissioners, for having us --

7 MR. MELCHERS: Let's get his mic --

8 COMMISSIONER BELSER: Turn your microphone on,
9 please. It's a little button at the base.

10 MR. HESLIN: I think I'm hot now.

11 COMMISSIONER BELSER: There you go.

12 MR. HESLIN: Once again, thank you for having
13 us today. As Ms. Smith indicated, my name is
14 Brian Heslin. I'm a Deputy General Counsel.
15 My primary duties are lead state regulatory
16 attorney for Piedmont Natural Gas in the
17 natural gas business unit. I also supervise
18 the FERC electric and natural gas teams for
19 the company. And also, I'm involved in
20 operational issues on the natural gas pipeline
21 side of things.

22 I'm going to provide a little
23 introduction and also provide the legal
24 update. And then I'm going to hand it off to
25 my colleagues here to discuss some of the

1 things involving the need of the pipeline and
2 other project-related information that they'll
3 provide to you.

4 (Slide 2)

5 But to start off with the introduction,
6 I'm sure folks are aware, but I -- just to
7 kind of set the table: The Atlantic Coast
8 Pipeline is a proposed approximately 600-mile
9 interstate pipeline project. It's designed to
10 bring critical natural gas infrastructure and
11 supply to the Southeast and the Mid-Atlantic
12 region. Historically, in this country,
13 natural gas supply flowed, at least on the
14 East Coast, from the Gulf up through the
15 north. And -- and -- and, you know, up to ten
16 years ago, domestic supply was dwindling until
17 the advent of hydrofracturing and horizontal
18 -- horizontal drilling technology and the
19 ability to leverage shale plays resulted in an
20 increase of domestic supply and production.
21 Because of that, natural gas -- natural gas
22 prices decreased significantly and have been
23 stable at a lower price. That has led to
24 regional supply options for -- for utilities
25 across the country. And in our region, in

1 particular, the ability to access the
2 production fields in the Marcellus and Utica
3 shale plays became an option.

4 The utilities have utilized existing
5 pipelines to bring that gas down from the
6 north. But the Atlantic Coast Pipeline is
7 specifically designed to leverage those supply
8 options and to transfer gas down from
9 Pennsylvania and West Virginia through
10 Virginia and into North Carolina, but also
11 essentially to serve the states in the eastern
12 parts of the states in the Mid-Atlantic
13 region.

14 The owners of Atlantic Coast Pipeline are
15 Dominion Energy, Duke Energy, and Southern.
16 Dominion is the majority owner and the
17 operator of the pipeline, so if you see --
18 they're the -- they will be operating the
19 pipeline. They're also the proponents for the
20 FERC certificate applications and other
21 permitting -- permitting in that area. Duke
22 Energy owns a large proportion of the
23 pipeline, less than half. And then Southern
24 owns a piece as well.

25 The primary customers would be considered

1 the anchor shippers who have signed long-term
2 contracts -- capacity contracts on the
3 pipeline once it's built are Duke Energy,
4 Dominion, and Southern. And in particular and
5 who we represent today are the utilities and
6 the LDCs in the -- in the area where this
7 pipeline will potentially serve. So Duke
8 Energy Carolinas and Duke Energy Progress have
9 signed precedent agreements and reserve a
10 significant amount of capacity, as has
11 Piedmont Natural Gas. All those utilities
12 have their separate needs for these services,
13 as will be discussed later. On the Dominion
14 side, Virginia Power and -- in Virginia,
15 obviously, and then Public Service of -- of
16 North Carolina in North Carolina. And then on
17 the Southern side, Virginia Natural Gas also
18 is a shipper on the proposed pipeline.

19 So that just kind of gives an idea of,
20 not only the primary customers that are
21 served, but the geographic layout of the
22 pipeline. And as you can see from the picture
23 there, the pipeline will run and serve the
24 eastern part of the state. Currently in the
25 Carolinas, the Transco pipeline is along --

1 approximately along the 85 -- Interstate 85
2 corridor. So this pipeline, it will be east
3 of that interstate pipeline, and, as I said,
4 will provide high pressure and supply to the
5 eastern portions of the Mid-Atlantic states.

6 (Slide 4)

7 So the -- the legal update is to provide
8 an idea of the challenges that the pipeline
9 has faced. And for folks who are aware, there
10 has been significant delay in the construction
11 of the pipeline, and so we thought it would be
12 a worthwhile endeavor for us to lay out at
13 least a brief outline of the legal challenges
14 and then, at least from a judicial
15 perspective, what the timing may be to address
16 those challenges.

17 And -- and so I will provide this from --
18 obviously, we're the customers and not the
19 pipeline. I won't be making any arguments
20 either way. Just laying out the status of the
21 various cases, and then I'll obviously -- I'm
22 open to questions at any time or at the end of
23 this.

24 But just to provide a little context
25 here: You know, the Federal Energy Regulatory

1 Commission, FERC, is the authorizing
2 certificating agency for interstate pipelines
3 in this country. And in October of 2017, the
4 Atlantic Coast Pipeline received its FERC
5 certificate. That certificate is premised or
6 contingent upon the pipeline receiving other
7 permits or rights-of-way or other requirements
8 needed before they can proceed with
9 construction. And so the next number of cases
10 that I'm going to talk about on these slides
11 are challenges to the agency actions or the
12 agency permits that were required -- required
13 by the Atlantic Coast Pipeline in order for
14 them to proceed with construction.

15 The primary cases that I'm going to
16 discuss are in the Fourth Circuit. The Fourth
17 Circuit of Appellate Court is a federal court.
18 It is -- it is seated primarily in Richmond,
19 and the Fourth Circuit comprises of North
20 Carolina, South Carolina, West Virginia,
21 Maryland, and -- and the DC area. But the DC
22 Circuit also serves the -- the DC in -- in
23 particular.

24 We've had one panel -- or ACP has had one
25 panel of three judges hear all these cases

1 just to keep consistency in the subject
2 matter. And so the case that I'm about to
3 discuss, I just wanted to give you an idea of
4 where those cases are being heard, and that
5 they're all being heard before one panel of
6 three appellate court judges.

7 The largest or the most significant
8 challenge to date for the ACP project was a
9 case that was rendered in December of last
10 year -- December 13th, 2018. The case was
11 called "Cowpasture." At least the -- just the
12 -- the -- let's say the short reference, and
13 the name of the preliminary party is
14 Cowpasture. But the real issue about this
15 case is the Appalachian Trail crossing.

16 In that case, the Fourth Circuit found
17 that the U.S. Forest Service, which had
18 provided a special-use permit for the pipeline
19 to cross the Appalachian Trail -- or cross
20 under the Appalachian Trail -- the -- the
21 crossing would actually be around 600 feet
22 below that trail -- that the special-use
23 permit provided by the U.S. Forest Service was
24 vacated by the Fourth Circuit. The reasoning
25 being, the Fourth Circuit found that the U.S.

1 Forest Service does not have the statutory
2 authority to grant a crossing under the
3 Appalachian Trail. The Fourth Circuit found,
4 in that case, that it's the National Park
5 Service, which administers the Appalachian
6 Trail, which is the proper agency to allow a
7 crossing under the Appalachian Trail.

8 The issue with that is that, under the
9 Mineral -- Mineral Leasing Act -- I don't want
10 to get into too much detail -- but, under the
11 Mineral Leasing Act, which provides for the
12 permitting of oil and gas pipelines, units or
13 lands within the National Park Service are
14 specifically excluded. So the result -- or
15 the -- the result that is being claimed by the
16 Atlantic Coast Pipeline and the amicus briefs
17 before the Supreme Court is that the effect of
18 the Fourth Circuit decision in the Appalachian
19 Trail case is that it would take a Act of
20 Congress in order to receive a crossing of the
21 Appalachian Trail. And the practical effect
22 of that is that, without a crossing across the
23 Appalachian Trail -- which folks may or may
24 not know runs essentially along the entire
25 coastal area, you know, inland of the coast --

1 where it would bifurcate the pipeline and the
2 supply -- access to supply that I mentioned
3 earlier in the previous slide, would not be
4 accessible because of the break in the
5 bifurcation with the inability to cross the
6 Atlantic Coast Pipeline.

7 (Slide 2)

8 So that case is pending; it was recently
9 granted certiorari by the U.S. Supreme Court.

10 (Slide 4)

11 The oral arguments will be heard in
12 February and the -- just based upon Supreme
13 Court precedent as far as timing, there is an
14 expectation that there will be a decision by
15 the Supreme Court in summer of 2020, just so
16 -- that gives you an idea of the timing of
17 when that particular issue will be addressed.

18 Subject to that vacatur, there's been no
19 construction granted or requested by the
20 Appalachian Trail since that decision, and so
21 there is no current construction going on in
22 the project besides just maintenance and
23 stability-type construction efforts.

24 The next cases I'll go through much
25 more briefly, but in August 2018, the same

1 Fourth Circuit panel vacated the original
2 right-of-way to utilize certain portions -- a
3 small portion of the Blue Ridge Parkway to
4 facilitate construction of the pipeline. This
5 area is adjacent to the Appalachian Trail
6 crossing -- very close to it. So, upon the
7 vacatur of the Appalachian Trail special-use
8 permit that I just discussed, the agency,
9 which had already rendered an -- a second
10 right-of-way -- the National Park Service,
11 they went back to the same court and requested
12 a remand of the second permit, and
13 essentially, it's in a wait-and-see situation
14 -- wait and see what happens with this
15 Appalachian Trail case. And so the Blue Ridge
16 Parkway permit, as -- as is indicated there,
17 is still up in the air as well, pending, you
18 know, at least some progress or decision at
19 the Supreme Court level.

20 (Slide 5)

21 The other significant cases: One is a
22 environmental-related case and that involves a
23 biological opinion. In -- for -- in order to
24 receive a FERC certificate or be able to
25 proceed with construction under that FERC

1 certificate, the pipeline has to have a -- a
2 biological opinion. The biological opinion is
3 an assessment by the Fish and Wildlife Service
4 to determine whether the construction of the
5 project will endanger the existence of -- or
6 have an adverse effect on the existence of a
7 species or their necessary habitat, and then
8 if so, then the -- the biological opinion
9 would require alternatives to the proposed
10 either pathway or the construction.

11 The biological opinion in this case --
12 there were two, and they -- both were vacated
13 by the Fourth Circuit. The first one was the
14 vacatur of the Incidental Take Statements,
15 which are under the biological opinion, but
16 for the purposes of today, I will say that the
17 Fourth Circuit, in July of 2019, vacated the
18 biological opinion for the entire project, and
19 there has been no new biological opinion
20 issued by the Fish and Wildlife Service.

21 That -- in and of itself, that opinion
22 would -- would typically result in a stay of
23 construction, as well, so with the Appalachian
24 Trail and the biological opinion, those --
25 those would -- both of those situations would

1 be an impediment to any construction. We
2 don't have any information on when the new
3 biological opinion will be issued and -- but,
4 as I said before, there's a wait-and-see game
5 going on -- or wait-and-see situation with the
6 Appalachian Trail case.

7 The air permit for the Buckingham
8 Station: The oral arguments were heard in
9 October of this year; there's no decision on
10 that yet. The only thing I would note in that
11 case is: The agency in that case was not a
12 federal agency; it was a Virginia State Air
13 Pollution Control Board, but that appeal of
14 that decision was heard before the Fourth
15 Circuit panel in October.

16 And, finally, the actual FERC certificate
17 has been challenged. That case is before the
18 DC Circuit, so that -- out of all the cases
19 that I've discussed -- and there have been
20 other challenges, and I tried to focus on the
21 primary ones which are delaying the
22 construction of the project -- this is the
23 only case that is currently before the DC
24 Circuit. It's -- a number of cases were
25 consolidated into this one appeal in October

1 of this year. The DC Circuit placed this
2 entire case in abeyance. The -- the
3 justification for that, or the rationale, was
4 to wait and see what happened with the
5 Appalachian Trail case -- the Cowpasture case,
6 which will be heard before the Supreme Court.

7 So that's a -- that's a brief -- or maybe
8 not-so-brief-outline of the legal challenges
9 before that have -- that the pipeline has been
10 dealing with and the reasons why the project,
11 which was originally supposed to go into
12 service, you know, at an earlier date, is
13 looking to be delayed for a number of years
14 beyond the initial date. And so, with that, I
15 will pass it on to my -- my colleagues to
16 discuss the other issues.

17 COMMISSIONER ERVIN: Madam Chairman?

18 COMMISSIONER BELSER: Yes, sir, Commissioner
19 Ervin.

20 COMMISSIONER ERVIN: Is it too early
21 to ask questions? I have a legal question, so
22 it might be best for Mr. --

23 COMMISSIONER BELSER: I think Mr. Heslin
24 indicated he would take questions as we went -
25 - as he went.

1 MR. HESLIN: Sure.

2 COMMISSIONER ERVIN: Okay. Thank you.

3 MR. HESLIN: Sure.

4 COMMISSIONER ERVIN: In terms of the United
5 States Supreme Court grant of certiorari for
6 the -- the Fourth Circuit decision on the
7 Appalachian Trail permitting, do you see that
8 case to be in a posture where the United
9 States Supreme Court can make a final
10 determination? Or is -- is it such that it
11 would have to be remanded back for further
12 hearing?

13 MR. HESLIN: The issue before the Supreme
14 Court is squarely a legal one where it is
15 whether the U.S. Forest Service or the
16 National Park Service is the proper agency to
17 grant a permit. If the Supreme Court were to
18 find that the U.S. Forest Service is
19 rightfully the proper agency, there would
20 still be a need for the U.S. Forest Service to
21 render another special-use permit because the
22 original one was vacated, and it was not only
23 vacated for this legal question, it was
24 vacated as "arbitrary and capricious." So
25 there would have to be a remanded action.

1 COMMISSIONER ERVIN: So you'd go back to the
2 U.S. Forest Service, go back through that
3 process, and then there are potential appeals
4 from that?

5 MR. HESLIN: Yes. That's --

6 COMMISSIONER ERVIN: This would go back
7 through the -- the District Court and then the
8 Fourth Circuit; is that how it would go?

9 MR. HESLIN: That's -- that's correct. The --
10 the actual special-use permit could be
11 challenged again, obviously under different
12 grounds.

13 COMMISSIONER ERVIN: So I'm curious: Has --
14 have the parties had any negotiations? I
15 realize you're dealing with different sets of
16 parties, but have you had -- have you tried to
17 reach some kind of resolution? some kind of
18 universal settlement by way of mediation or
19 something like that?

20 MR. HESLIN: I'm not aware of any. I mean,
21 obviously, I'm speaking on behalf of the --
22 the customers needing service, but I'm not
23 aware of any discussions or potential
24 mediations to settle -- settle the case.

25 COMMISSIONER ERVIN: Well, you know, it -- it

1 -- it's a complex case, obviously, involving
2 multiple parties so, you know, it might -- it
3 would be a tough set of issues, obviously, to
4 resolve. However, in the interest of time,
5 expense, and protracted litigation, it would
6 seem that perhaps there might be some
7 possibility that an accord could be reached.

8 You know, all these parties have a common
9 interest, I would think, in -- in resolving
10 the case, and right now the -- the
11 environmental groups have leverage because of
12 the -- the cost delays are mounting, and
13 perhaps they could come with a wish list of
14 things that they'd like. It occurred to me
15 that, for example, there could be a -- a way
16 to do some mitigation work around the
17 Appalachian Trail. The parties could agree to
18 help, you know, fund that, through charitable
19 contributions or otherwise, to expand the
20 Trail or improve the Trail. Same thing with
21 the Blue Ridge Parkway in exchange for, you
22 know, some kind of a agreement to -- to
23 dismiss the litigation.

24 In addition, you know, as technological
25 advances go forward, we're already seeing

1 Australia using carbon capture and, in order
2 to do the carbon capture, they have to have a
3 pipeline and they have to pipe it back
4 underground, and that has already happened on
5 the west coast of Australia. And so one out-
6 of-the-box thought I had was: "Okay. Well,
7 maybe the environmentalists would be
8 interested in -- in having a -- access to the
9 pipeline for carbon capture at some point,
10 which, obviously, promotes the goal of -- of
11 removing CO2 and methane emissions from the
12 environment. So I would encourage you to
13 reach out to the other side and see if there's
14 some kind of middle ground.

15 You know, I've -- I think that where we
16 are on this issue is that, because the price
17 of natural gas has dropped so precipitously
18 and is so low and it's projected to remain low
19 for a number of years and it's cleaner than
20 coal, it seems to be a bridge to the future
21 until we can come up with either a smaller
22 nuclear model, which, in my view, is probably
23 not going to happen anytime soon because every
24 nuclear plant that's been built in this
25 country has had multiple cost overruns and

1 delays -- and we all know what happened in our
2 state here in South Carolina, and what's --
3 the problems that are happening right now in
4 Georgia with the Vogtle plant because of
5 delays and cost overruns. So that leaves us
6 with natural gas as a bridge to the future.
7 And until technology can come in and give us
8 some help with storage to improve the battery
9 capacity for solar storage and renewable
10 storage from wind and other -- other sources,
11 we've got to have a reliable supply of fuel.
12 And, as we all know, solar can't provide that
13 24/7; the sun doesn't shine every day and
14 winter peaking is always going to be a problem
15 until we can get the storage piece in place,
16 and that's going to take time and money.
17 So, you know, looking at long term, you know,
18 I know that there's a lot of opposition to
19 fracking and what environmental effects it
20 has, but we have to have a reliable source of
21 fuel, and it makes sense for the ratepayers --
22 if we're -- if we're going to look out for the
23 ratepayers' interests, the cheapest
24 alternative in the foreseeable future is
25 natural gas.

1 And so I just make those observations. I
2 know that there may be some that don't want to
3 compromise. They just -- they take, you know,
4 a philosophical view that we don't need it.
5 But my question is: Well, how can we do
6 without it? If it's so cheap, it's going to
7 help us keep ratepayer rates low and, in fact,
8 over the last few years it's resulted in your
9 company coming back and actually refunding
10 money, based on the fuel case adjustments, to
11 ratepayers. And so it's already showing that
12 it is -- it's keeping rates low and, in fact,
13 there are refunds to taxpayers.

14 So, you know, it -- it's just a complex
15 issue, and I hope that -- I hope that all
16 sides could sit down and find a really good
17 mediator and -- and just, you know, talk to
18 one another because, you know, the likelihood
19 is, if you don't, it's going to be tied up in
20 litigation for years and probably will never
21 be built, and then both sides lose an
22 opportunity to advance the ball. And I'm not
23 sure where we'll go if we don't have access to
24 natural gas; there just aren't many options.
25 Coal is -- is clearly the most harmful from an

1 environmental standpoint, and we just got to
2 -- we've got to get cleaner and greener, and
3 natural gas is a better option than coal.

4 Thank you.

5 MR. HESLIN: Thank you, Commissioner
6 Ervin, and -- and your points are well-taken.

7 Obviously, I can't speak for the project
8 but, certainly, if sides are willing to
9 discuss, perhaps creative options can be
10 considered, so thank you.

11 COMMISSIONER BELSER: Commissioner Whitfield.

12 COMMISSIONER WHITFIELD: Commissioner Belser,
13 I have at least three or four questions for
14 Mr. Heslin, but if -- if it suits the party --
15 the party better and -- and you better or the
16 Commission better, I -- I would hold mine
17 until Mr. Weintraub and Mr. McCallister have
18 done their presentations. Perhaps --

19 COMMISSIONER BELSER: Sure.

20 COMMISSIONER WHITFIELD: -- they might answer
21 them but, if not, Mr. Heslin, you've sparked
22 at least about three questions in my mind I
23 want to ask you. So we'll -- I'll yield at
24 this time.

25 MR. HESLIN: Okay.

1 COMMISSIONER BELSER: Thank you, Commissioner.

2 Mr. Weintraub?

3 MR. WEINTRAUB: Yes. Good morning. My name
4 is Sasha Weintraub, also known as Alexander
5 Weintraub. I'm the Senior Vice President in
6 charge of Piedmont Natural Gas, so that is the
7 local gas distribution company, provides
8 natural gas for heating, for hot water, for
9 manufacturing processes in our service
10 territory.

11 So I'd like to click through a few slides
12 quickly here just to, again, expand upon the
13 discussion around the need for ACP.

14 (Slide 7)

15 On this map, what you see is the Transco
16 pipeline. Historically -- you can see the
17 Transco pipeline runs from South Texas all the
18 way up into the New York region. And this is
19 the major interstate pipeline that we use in
20 the Carolinas to receive natural gas from.
21 There's also some natural gas that comes off
22 from the Southern Natural Gas system, as well,
23 but this is by far the biggest interstate
24 pipeline that we have.

25 Historically, the natural gas came from

1 the Gulf of Mexico up to the north and crossed
2 over into North Carolina, South Carolina, and
3 into the New York region. But with the -- the
4 found -- the finds of the shale gas, that has
5 really changed the flow of Transco and most of
6 the gas now is coming from the North down into
7 the South.

8 So what you can see here is a depiction
9 of the Atlantic -- Atlantic Coast Pipeline --
10 I'll get into more details in a second -- that
11 the customers decided, as we went to market,
12 "Let's try to access this natural gas in such
13 a way that it brings it to regions that are
14 underserved with infrastructure," which is why
15 we selected the path that's -- that you see
16 here on this map. And again, I'll get into
17 more details in a second.

18 (Slide 8)

19 So some of the drivers for ACP, when we
20 went to market out in 2014, was to support the
21 needs of Duke Power on the generation side as
22 natural gas units were being built to replace
23 retired coal, as well as for additional
24 growth. It was also to support the needs of
25 Piedmont Natural Gas as our customer demand

1 grew and required additional infrastructure.

2 Having a second pipeline into the
3 Carolina region provided diversification.
4 Right now we are supplied, again, by one major
5 interstate pipeline, and there have been times
6 -- Transco is a great operator, but there are
7 times when pipelines do have maintenance
8 issues, do have issues that require them to
9 come down. Transco has not had that
10 situation, but across the U.S., other
11 pipelines had, and since this is our one major
12 pipeline, if that ever happened, there would
13 be a challenge as far as serving the needs of
14 customers that are -- rely upon that pipeline
15 for supply. So diversification was able to
16 provide: one, a competitive pipeline
17 alternative and some geographic diversity; it
18 was able to provide an increase in flexibility
19 and enhance our -- our reliability with -- to
20 the Carolina infrastructure by providing the
21 second pipeline allowing for that reliability.

22 It also provides direct access to lower-
23 cost shale supply in the growing production
24 region of Marcellus and Utica, which what
25 we'll show you in a few slides has been a

1 prolific find for the U.S.

2 So, in summary, the ACP is the lowest-
3 cost option that provides this new diversified
4 infrastructure to meet our growing and
5 existing needs, provides access to low-cost
6 supply in the Marcellus region, provides a new
7 source of natural gas -- so, again, allows us
8 to have a diversity of supply, and provides
9 increased flexibility and reliability for us
10 to mitigate any unforeseen pipeline issues.

11 (Slide 9)

12 This is a more detailed map. I just want
13 to get a couple highlights for you here. The
14 -- the project is a large greenfield project,
15 so it is new build, roughly 600 miles long
16 from West Virginia down into North Carolina.
17 The initial pipeline capacity is 1.5 billion
18 cubic feet per day, with expansion up to
19 2 cubic feet per day, and, again, we'll get
20 you into some context regarding what that
21 means here in a few slides. ACP does provide
22 access to the supply points in Marcellus where
23 we're able to provide low-cost natural gas.

24 You'll see that the -- the pipeline
25 itself has a couple different diameters. So

1 in West Virginia and -- and Virginia, it's a
2 42-inch-diameter pipe coming down. You can
3 see at the Virginia-North Carolina border
4 there's a lateral -- that's a 20-inch lateral
5 that goes to the Norfolk, Virginia, region to
6 supply their gas needs. They are a growing
7 area for a variety of reasons, not just
8 population, but also their industrial load and
9 their military bases. So they have a need for
10 additional supply, as well. And, finally, it
11 comes down into North Carolina as 36-inch-
12 diameter pipe.

13 The pipeline does require three large
14 compressor stations located along the path in
15 order to provide the high-pressure delivery.
16 And ACP will interconnect with a few key
17 points: It will interconnect with the Transco
18 pipeline, so you will be able to buy gas on
19 ACP and bring it into Transco and -- on points
20 that we have on Transco, so there will be an
21 interconnect. And then it will interconnect
22 with the Piedmont Natural Gas infrastructure
23 system at three main points in the Carolinas.

24 (Slide 10)

25 I just want to review for you quickly the

1 customers. So you can see a list of the
2 customers' 20-year commitments. And the --
3 the point I'd like to make, as well, is: Back
4 in 2014 when we went to market for this
5 pipeline, it was we the customers who went to
6 market. We solicited the market for pipeline
7 alternatives. We asked for a variety, and we
8 selected that pipeline that ultimately is now
9 ACP. Of all the providers of that RFP, we did
10 ask them to allow us the option of being an
11 owner as well, and many of the bidders into
12 that -- into our process wanted some
13 diversification of allowing other owners, as
14 well. So we the customers brought this
15 pipeline on and asked for the potential for
16 ownership. So just to -- to talk to you about
17 how that process worked.

18 So the customers -- so one -- one of the
19 benefits of having these customers align with
20 us as we went to market was that we were able
21 to -- to use economies of scale to have such a
22 large pipe to be as low cost as possible. So,
23 in aggregate, what you see here are the
24 customers -- I won't read them off -- but
25 those are the customers that have signed up

1 for these 20-year commitments. So in market
2 speak, what we say is: This pipe is, for the
3 most part, "fully subscribed." It has end-use
4 customers ready to go, and we are waiting for
5 the natural gas to arrive so we can provide it
6 for our customers.

7 I'm going to hand it off to my colleague,
8 Mr. McCallister, to talk a little bit about it
9 on the power generation side.

10 MR. MCCALLISTER: Good morning, Commissioners.
11 I'm the Managing Director of the System
12 Optimization Team within the Regulated
13 Electric Fuel and System Optimization
14 Department. Just wanted to provide a little
15 bit of background on my responsibilities. I
16 handle the fuel support for the ACP gas
17 transportation for the regulated-generation
18 side, so I support the -- all the regulated
19 utilities. I also am responsible for the unit
20 commitment function and support, which
21 produces the seven-day short-term economic
22 unit commitment plan to reliably meet the load
23 requirements for the Florida and Carolinas'
24 regulated electric portfolios. I'm also
25 responsible for the fuel and fleet analytic

1 function, which produces the five-year
2 forecast of fuel and system costs for the Duke
3 regulated fleet that is used for fuel planning
4 and other company processes.

5 Prior to this position, I was the
6 director of the Natural Gas Oil and Emissions
7 Team and the Fuel Procurement Team, and so I
8 have been involved with ACP from -- from the
9 onset.

10 (Slide 11)

11 So, with that, I want to jump in. Sasha
12 pointed out some of the -- the drivers of the
13 project. And this slide is just the
14 Carolinas' natural gas usage from the
15 generation fleet, so this doesn't include
16 other jurisdictions. So if you look at it, I
17 really want to outline the -- the significant
18 growth. So if you go back a decade or so, the
19 electric fleet used about 30 Bcf a year, which
20 is about 80,000 MMBtu a day. Now, if you
21 fast-forward to 2018, that number has
22 increased to 346 Bcf a day, which is about
23 1 Bcf a day on average, and our peak day is
24 about 1.5 Bcf a day. So to put some context
25 around that: Today, we have roughly 435,000

1 MMBtu capacity.

2 So, you know, when Sasha talked about
3 going to market, you know, back in -- in '14,
4 you know, this is some of the growth that we
5 were foreseeing, and beyond. So I just want
6 to point out the context of -- of the volume.

7 Now, that growth over the last decade has
8 been driven by a number of coal unit
9 retirements. Duke Energy has retired 30 coal
10 units in the Carolinas since 2010. We've also
11 added six combined cycles since 2011. So a
12 lot of new gas, a lot of less coal, and in the
13 coming weeks we'll be adding another combined
14 cycle at our Asheville facility.

15 Now, if you look forward, you'll see that
16 growth continues, and there's three primary
17 drivers of that. One is the Asheville
18 combined cycle. The second one, our three
19 coal-fired projects -- you know, I'm sure
20 you're aware that we have three large coal
21 facilities that we're converting to be able to
22 burn natural gas at Cliffside, Marshall, and
23 Belews Creek.

24 And then the last is the -- is just the
25 in-service of ACP. You know, with ACP, we're

1 able to access much lower-cost gas, so that
2 incrementally brings the lower-cost supply
3 source, which, when we're dispatching our
4 fleet, lowers our -- our incremental dispatch
5 costs. So that, too, adds to -- to this
6 growth. So really I think the -- you know,
7 from a need prospective, you know, that's
8 really the takeaway from this slide is -- you
9 know, I -- I told you how much transportation
10 we have -- 435,000 MMBtu's -- and when you
11 look out to the green bars, our average daily-
12 use growth -- about 1.2 to 1.3 Bcf a day, with
13 -- with certainly our peak day being much
14 higher than that. I'm sorry. I didn't click
15 that soon enough.

16 (Slide 12)

17 Sasha talked about the -- you know, the
18 prolific growth, as Brian did as well. I
19 won't spend a lot of time on this slide, but,
20 you know, the -- you know, the thing about the
21 ACP project: It provides us direct access to
22 the growing Marcellus and Utica shale supply
23 plays in the Pennsylvania, West Virginia, and
24 east Ohio regions. This slide is just a
25 snapshot of the U.S. shale production from the

1 EIA from their October report and shows the
2 growth in Bcf per day over time. Today, total
3 U.S. production is approximately 92 to 93 Bcf
4 a day, and you can see that shale production
5 is a large majority of that. The Marcellus
6 and Utica production is now around 31 Bcf a
7 day and accounts for roughly 30 percent of the
8 U.S. dry production. So once again, looking
9 back when we went to market for this, these --
10 these numbers are even higher than what we saw
11 back then.

12 So the key takeaway here is: ACP
13 provides us that direct access to that supply,
14 which will provide us a much more stable
15 natural gas source and reduce some of the
16 volatility for our customers.

17 (Slide 13)

18 And so, with that lead-in, in talking
19 about this -- the next slide, you know,
20 before, when I was just outlining kind of our
21 -- the firm transportation we have and the --
22 the amount of gas burns we have, certainly
23 there's a big difference. So Duke Energy, on
24 the electric side, does procure a significant
25 amount of gas in the -- we'll call it the

1 "Carolinas Zone 5 Market Area." And what that
2 means is: We fully utilize the transportation
3 we have, but, on top of that, we are buying
4 gas from other folks who have transportation
5 to procure for our -- you know, our -- our
6 generation fleet. Now, the other thing about
7 Transco: Transco is a fully-subscribed
8 pipeline.

9 So in recent years, we have seen more
10 volatility in this particular region, in
11 particular, the polar vortex in 2014 and then
12 the bomb site -- cyclone in 2018. There
13 certainly have been other smaller events, but
14 those two certainly are highlights. The chart
15 here is simply the first eight days of January
16 of 2018. The -- the -- the red -- red line is
17 the Transco Zone 5 spot price, and then the
18 blue line is the Dominion South spot price.
19 So you can see there, during that time period,
20 the average price for the "Carolinas Zone,"
21 we'll call it, was over \$40 an MMBtu, so very,
22 very volatile. The Dominion price was
23 obviously significantly below that in the --
24 you know, the mid-\$3 an MMBtu range.

25 The other thing that -- that Duke did

1 during that time period: We burned 43 million
2 gallons of fuel in January of 2018, and that
3 was both for economics -- you know, with such
4 high gas prices, we consumed a lot more oil,
5 -- but we also consumed a lot of it for
6 reliability needs for our system -- peak
7 needs.

8 You know, I think some of this gets down
9 to, you know, as I said, the -- the market is
10 fully subscribed on Transco, and some of that
11 price volatility is a function of, you know,
12 fundamentals, of course, but, certainly, the
13 -- the scarcity of pipeline capacity. So from
14 a need perspective, those are three of the key
15 drives, at least from an electric side. You
16 know, we want to be able to access the gas.
17 As the -- as the Commissioner said "our gas
18 needs from today and beyond" -- you know, this
19 isn't a -- you know, this is a multi-decade
20 grid, so certainly, this project is very
21 important to us achieving some of those goals.

22 (Slide 14)

23 MR. WEINTRAUB: So our -- our last slide is
24 just to illustrate the interconnection of
25 Atlantic Coast Pipeline with the Piedmont

1 Distribution system, as well as some of the
2 locations of Duke's generation sites. So just
3 to highlight a couple points on this map: So
4 you can see Transco is the blue line label
5 there; Atlantic Coast Pipeline is the green
6 line coming closer to the coast. And so, just
7 to highlight, the point of ACP coming in at
8 key points is that, typically, for Piedmont
9 Natural Gas, if there is a generation site or
10 large manufacturing or industrial load in the
11 coastal part of the state, we have to expand
12 with pipeline -- with pipe infrastructure
13 coming off of Transco all the way down into
14 the coast. So, now that you have ACP coming
15 on this side of the state, it dramatically
16 reduces the need for incremental
17 infrastructure to serve that load, and ACP is
18 coming in at a pressure that really benefits
19 and allows the gas to be distributed among the
20 Piedmont system very cost effectively. And so
21 that is why -- the main reason why the
22 pipeline was designed to come down this part
23 of the state was to allow for the substitution
24 of having to build out laterals coming off of
25 Transco. And so we just wanted to highlight

1 that.

2 Some other points on the map, as Joe
3 mentioned, is just all of the generation sites
4 that you see here that have been built, as
5 well as the squares, represent the -- the
6 dual-fired coal plants. So these are the coal
7 plants that are going to be -- are in process
8 or already have been converted to be able to
9 burn natural gas when prices are economic to
10 do so.

11 So with that, we wanted to finish our
12 presentation and open up for any questions you
13 might have.

14 COMMISSIONER BELSER: Thank you.

15 MR. WEINTRAUB: You're welcome.

16 COMMISSIONER BELSER: Commissioners?

17 Commissioner Hamilton.

18 COMMISSIONER HAMILTON: Thank you. Thank you,
19 gentlemen. I enjoyed your presentation, very
20 interesting. And most of you have listened to
21 my questions in the past and probably can
22 answer them before I ask them. But the -- the
23 thing that -- that I need to talk to you
24 about, again, is -- and I know -- I know where
25 you are now and you've got your hands full --

1 I can understand that -- with moving forward.

2 But I'm still interested in the fact of
3 the economic development prospect that this
4 could be for the PeeDee and the Grand Strand
5 area of South Carolina and noticing that the
6 pipeline intended ending spot is right on the
7 border almost. So I want to keep this alive
8 in your minds that this could be needed. I
9 was thinking this week, I've got a place down
10 at North Myrtle Beach and we can't use gas
11 packs because we don't have the supply for
12 heat for gas, and this would, you know, be a
13 tremendous asset just to the residential area
14 if more areas could have the ability to heat
15 with natural gas, for the expense and whatnot.
16 And it would certainly cut back on some of the
17 need we need for new generation. We have a
18 lot of agricultural needs in this area of the
19 state that could be met with natural gas at --
20 at a much lower volume than having to pay for
21 fuel oil at this time.

22 So these are some of the points that --
23 that I -- I'm going to continue to make. I've
24 got maybe six more months on the Commission,
25 but if you come back, you'll hear it again.

1 But I thank you very much for being here.

2 MR. WEINTRAUB: Yes, sir. Thank you. I -- I
3 think the -- your point is very similar to
4 what we see along the coastal parts of North
5 Carolina where, when we have a industrial load
6 today come to us on -- on Piedmont and ask for
7 them to interconnect to our system, we are
8 unable to provide them firm natural gas --
9 firm natural gas. We can give them non-firm,
10 but what that means is during peak times we
11 will have to cut them off. And it's not until
12 ACP is in service that we'll be allowed to
13 firm them up and allow them to operate around
14 the clock, which for certain manufacturing
15 processes, is very important.

16 So you're -- you're absolutely right.
17 Certainly having a pipeline like this closer
18 to these underserved areas should make the
19 business case for connecting that much better.

20 COMMISSIONER HAMILTON: Thank you. Thank you
21 very much.

22 COMMISSIONER BELSER: Thank you, Commissioner
23 Hamilton. Commissioner Whitfield.

24 COMMISSIONER WHITFIELD: Thank you,
25 Commissioner Belser. Got some questions for a

1 couple of you now but, Mr. Heslin, I'll start
2 with you. I think -- I guess from the very
3 outset, you -- you stated you're here as the
4 LDC and DEC and DEP. You're not really here
5 for the purposes of this allowable ex parte on
6 behalf of the pipeline, even though your
7 companies are -- are part-owner. You're here
8 specifically today representing the LDC and
9 DEC and DEP, correct?

10 MR. HESLIN: Yes. That's correct, sir.

11 COMMISSIONER WHITFIELD: In that regard, I'm
12 going to ask you -- come back to that and ask
13 you a question in that framework in just a
14 minute. But I want to mention something that
15 you brought out, and if either one of the two
16 want to jump in, that's -- that's fine --
17 Mr. McCallister or Mr. Weintraub.

18 But you mentioned that the -- you're
19 talking about the -- the -- the permitting
20 from the U.S. Forest Service and -- and now
21 it's been determined that it's National Park
22 Service and not U.S. Forest Service. And I --
23 I get the fact that the Appalachian Trail runs
24 all the way from Georgia to Maine on the Blue
25 -- basically, on the Blue Ridge chain. But

1 you said something about it being 600 feet
2 below the Appalachian Trail. Explain that to
3 me if you would.

4 MR. HESLIN: From a geographic standpoint --

5 COMMISSIONER WHITFIELD: Uh-huh.

6 MR. HESLIN: -- this is my understanding, is
7 that the -- so the -- the route -- proposed
8 route of ACP is through, and in that area, the
9 George Washington National Forest.

10 COMMISSIONER WHITFIELD: Uh-huh.

11 MR. HESLIN: The Appalachian Trail, at that
12 crossing point, is at the top of a -- let's
13 say a ridge or a mountain.

14 COMMISSIONER WHITFIELD: Uh-huh.

15 MR. HESLIN: The pipeline will be bored --

16 COMMISSIONER WHITFIELD: Just like a --

17 MR. HESLIN: -- at an elevation that is six
18 hundred --

19 COMMISSIONER WHITFIELD: So like a tunnel?

20 Like a tunnel?

21 MR. HESLIN: That's right.

22 COMMISSIONER WHITFIELD: All right.

23 MR. HESLIN: So it's approximately 600 feet
24 below the trail. So the argument that we've
25 seen in the briefing by the pipeline, or at

1 least the facts that have been laid out, is
2 that it is from an elevation six or almost
3 seven hundred feet below the trail. At that
4 crossing, there will be no impact to the --
5 the walking trail itself, at least from a --
6 at that point. And then, as I said, I'm just
7 -- as an observer reading their briefs, that's
8 what has been presented by the Solicitor
9 General as well as the -- the Atlantic Coast
10 Pipeline in the amicus briefs.

11 COMMISSIONER WHITFIELD: Well, that's what I
12 envisioned -- mental picture in my mind when
13 you said it, but I wanted to verify. And
14 obviously -- it's obvious from the maps the
15 way the Appalachian Trail runs and the
16 proposed path of this pipeline, it -- you
17 know, without that crossing you wouldn't even
18 get into the Blue Ridge Parkway, of course,
19 which is for people to basically parallel it
20 with -- with a -- a paved road. So I -- I --
21 and you aptly explained that about the Blue
22 Ridge Parkway, so I'm not going to go down
23 that path. It sounds like you've -- there's a
24 -- there's a big hurdle before you get there.

25 So, Mr. Heslin, there's been some talk

1 among some of the LDCs, and this is the reason
2 I asked if you were, you know -- clarified
3 that you're here on behalf of the -- as an
4 LDC, DEP. There's been some talk about LDCs
5 going back to FERC and contesting some of the
6 ROEs that have been awarded. And, of course,
7 I'm talking about existing interstate
8 pipelines. What, if any, impact do you think
9 that might have -- and again, I realize if
10 that were to happen, it would benefit the LDC,
11 Piedmont Natural Gas, ultimately ratepayers of
12 the LDC. But what, if any, impact do you
13 think that might have on the -- the -- the
14 pipeline? And I realize you have commitments
15 from customers of the interstate pipeline.
16 But what, if any, impact do you -- is there
17 any -- can you share any insight to that?
18 MR. HESLIN: I can. And, generally, if the
19 returns -- or the allowable returns at the
20 federal level -- at the FERC level were to
21 decrease, it could impact the motivation to
22 invest in those types of facilities. As you
23 noted, Commissioner Whitfield, the Atlantic
24 Coast Pipeline is currently predicated on
25 negotiated or proceeding agreements that run,

1 as -- as Mr. Weintraub indicated, I believe 25
2 years. But a decreased allowable return
3 certainly would impact the resulting recourse
4 rates. And as I said before, you know,
5 investors are looking at those from a general
6 perspective on the gas and the electric side.
7 And if there was to be a substantive decrease
8 in the return on that investment, it would
9 impact the -- probably the availability of
10 future facilities.

11 As an LDC, we're customers of those
12 facilities. So when we are in rate case
13 proceedings with interstate pipelines, we try
14 to ensure that, you know, the return that is
15 usually baked into any settlement is -- is
16 reasonable, understanding that we'll be
17 passing that on to our customers.

18 COMMISSIONER WHITFIELD: To your customers.
19 All right. Well, thank you for that
20 explanation. And I'm -- I'm going to shift
21 gears just a little bit, and some of this may
22 go on to Mr. Weintraub. But if either one of
23 you want to jump in, that's fine, as well.

24 Mr. Weintraub, you talked about -- and --
25 and I can't quite see it on my handout here

1 and couldn't quite see the screen far enough.

2 But you talked about an interconnection -- you
3 talked about interconnection points within the
4 Piedmont system. There are three of them, I
5 believe, in North Carolina, but you
6 specifically talked about an interconnection.

7 I believe it was Compressor Station 165 --

8 MR. WEINTRAUB: Correct.

9 COMMISSIONER WHITFIELD: -- in Transco Zone 5.

10 MR. WEINTRAUB: Yes.

11 COMMISSIONER WHITFIELD: And again, I've
12 looked. It looked like it, to me, could be
13 anywhere from Charlotte all the way up into
14 Virginia. Tell me where that is specifically.
15 Where is that 165?

16 MR. WEINTRAUB: So -- so the interconnection
17 that I'm referring to is going to be where the
18 ACP -- I'll -- I'll use the -- the light blue
19 hash -- will interconnect with the Transco
20 Pipeline. So that will be that interconnect
21 right there.

22 COMMISSIONER WHITFIELD: So a little north of
23 Charlotte; is that --

24 MR. WEINTRAUB: No.

25 COMMISSIONER WHITFIELD: No?

1 (Slide 7)

2 MR. MCCALLISTER: It's in Virginia.

3 COMMISSIONER WHITFIELD: Oh. In Virginia,
4 okay.

5 MR. WEINTRAUB: Right.

6 COMMISSIONER WHITFIELD: Okay. The -- above
7 -- I'm just seeing a hash right above
8 Charlotte, but you're talking about up into
9 Virginia?

10 MR. WEINTRAUB: Yes. That's correct. So that
11 -- so where that interconnects -- and the
12 point of that interconnect being is that we do
13 have customers that will be best served coming
14 off of Transco. So that won't be a way -- but
15 we'll be able to optimize portfolio and buy
16 the supply, if it's cost effective, in the
17 Marcellus region and have it delivered via ACP
18 interconnected with Transco and down to
19 customers along Transco, as well.

20 COMMISSIONER WHITFIELD: Well, I can see it on
21 that slide now.

22 MR. WEINTRAUB: Yes.

23 COMMISSIONER WHITFIELD: It's clear -- very
24 clear. But I was looking at a smaller
25 inset --

1 MR. WEINTRAUB: It's going to be about --

2 COMMISSIONER WHITFIELD: -- on Page 9, and I
3 couldn't see it. But -- well, anyway. Next,
4 what you've mentioned -- you talked about
5 competitiveness. You're -- you talk about
6 competitiveness both, I guess, in -- in our
7 area, you'd be referring to Transco and
8 Southern and -- being -- having another
9 supply, another source. But also, with that
10 interconnection, you're giving -- you know,
11 you're taking some of the -- the -- the demand
12 off Transco. So in a -- in a sense, you're
13 providing a little competition, but also
14 you're aiding them in a way, too; is that a
15 fair statement?

16 MR. WEINTRAUB: Well, what -- what I would say
17 is: We go out and procure the lowest cost
18 fuel that we go out and buy. So by allowing
19 for an additional option, to have another
20 pipeline with another supply source, we are
21 now able to, for both Piedmont and -- and --
22 and for the -- the Duke Electric, as well, we
23 have more options to go to market in order to
24 -- to buy. And if, in this particular case,
25 the supply point that we talk about, this

1 Dominion South which is the price point in
2 Marcellus, if that's a lower-cost price than
3 some other typical places that we buy, we'll
4 be able to procure and bring back fuel to our
5 customers using Atlantic Coast Pipeline as a
6 potential option. That option doesn't exist,
7 which is why on Mr. McCallister's chart --
8 just to -- to -- just to iterate here on this
9 chart: What this is depicting is that the
10 Dominion South price point in the Marcellus
11 region sat at sub \$5 throughout this cold
12 weather.

13 (Slide 13)

14 MR. WEINTRAUB: So in other words, there was
15 gas available. There just wasn't capacity --
16 pipeline capacity to bring it to the markets.

17 COMMISSIONER WHITFIELD: I see.

18 MR. WEINTRAUB: And so all of a sudden that
19 pipeline capacity that you see in the red,
20 that's delivered into the Carolinas. So now
21 that price point that you see is someone's
22 willing to pay a higher price because it's
23 delivered in the Carolinas. And I'll buy at
24 -- I'm -- I'm -- I'm giving you a
25 hypothetical, if you will -- I'll pay a \$120

1 MMBtu for that fuel, which is a lot for the
2 fuel. And that's cheaper than, say, running a
3 propane or cheaper than running fuel oil or
4 cheaper than buying in a market. Whereas, if
5 we had -- if -- if a customer had or -- excuse
6 me -- if we had a pipeline contract that
7 reached back into the Marcellus region and
8 we'd be able to buy that Dominion price --
9 that Dominion fuel -- that fuel at that
10 Dominion price and bring it along that
11 contract to our customers, hence you wouldn't
12 have the volatility associated with this cold
13 weather on this particular cold spell.

14 COMMISSIONER WHITFIELD: So in that example
15 you just described, you had the supply source.
16 You had the -- you had the resource up there.
17 You had the high demand, but you just flat-out
18 lacked the capacity to get to -- to -- to get
19 it here?

20 MR. WEINTRAUB: Yes. If I may, I'm familiar
21 -- so I'll -- Joe, if -- if -- if it's okay.
22 What I'll say is, as Mr. McCallister
23 indicated, that roughly on this day was a --
24 was a high-burn day. So call it 1.5 Bcf of
25 gas was burned on this day. And under

1 contract, Joe, I believe you said it was
2 435,000.435 Bcf per day. So the requirement
3 then would be to go out and buy roughly 1 Bcf
4 of delivered gas. So -- so you no longer have
5 contracts to bring that gas. You're now
6 asking others who have contracts, "Hey, I will
7 buy it from you at a price that's cheaper than
8 my next alternative." And in some cases, the
9 cheaper alternative was burning fuel oil,
10 which is why 43 million gallons of fuel oil
11 were burned in the month of January because,
12 in some cases, it's lower cost to burn fuel
13 oil than it is to buy this high-cost gas.
14 It's -- it's just the economics of how you
15 dispatch a generation fleet.

16 COMMISSIONER WHITFIELD: And one last
17 question. Could you go back to the slide we
18 had on the screen? The -- the --

19 MR. WEINTRAUB: Oh, I'm sorry. Yes.

20 (Slide 7)

21 COMMISSIONER WHITFIELD: I'm sorry. The other
22 -- the -- right there. The -- that one. A
23 lot has changed, and certainly in natural gas
24 in the -- in the short ten/eleven years I've
25 been a Commissioner. As you just described,

1 everything flowing from Texas, Louisiana
2 region up to the Northeast, and now you've got
3 the reversal --

4 MR. WEINTRAUB: Right.

5 COMMISSIONER WHITFIELD: -- of these
6 interstate pipelines. And now with the other
7 graph you showed with the -- most of the -- or
8 a larger portion of the production of that
9 shale gas coming from Marcellus and Utica,
10 there's still that supply -- great supply up
11 there. And I'm going to kind of ask the --
12 kind of ask the question in reverse of
13 Commissioner Hamilton. You've heard
14 Commissioner Hamilton today, and you've heard
15 him in previous allowable ex parte briefings.
16 And I -- I think he's had that question quite
17 a few times. But let's just for a moment
18 suppose that that pipeline stops as it's
19 planned in -- just outside of Lumberton, North
20 Carolina. You -- you -- you cited some things
21 I think in your -- Mr. Weintraub, in your
22 portion about meeting existing and growing
23 needs, new source of high pressure, and having
24 new supply points and flex -- operational
25 flexibility. You cited about four things

1 there.

2 What specifically to South Carolina
3 ratepayers -- how would South Carolina
4 ratepayers both of Piedmont Natural Gas -- I
5 guess South Carolina customers of Piedmont
6 necessarily wouldn't necessarily benefit --
7 but what benefits would South Carolina
8 ratepayers, maybe of DEP, see? Or what other
9 benefits other than taking some of the
10 -- the pressure, if you will, off of Transco
11 -- that might help some of the Piedmont folks.
12 But what benefits can South Carolinians expect
13 to see if it -- if it stays where it is?

14 (Slide 14)

15 MR. WEINTRAUB: Yes, sir. Well, from a
16 Piedmont perspective -- so Piedmont Natural
17 Gas operates in the white service territory
18 that you see here on this map. So -- so one
19 of the advantages would be that we do operate
20 this as a portfolio. So the costs to serve --
21 the fuel costs to serve our customers across
22 the entire Piedmont service territory is
23 pooled and then allocated to customers on a
24 methodology. So roughly -- I'm giving you a
25 -- a rough number -- 15 percent of costs are

1 allocated to the customers that Piedmont
2 proudly serves in the Upstate portion of South
3 Carolina. So anything we do to lower that
4 overall portfolio cost will benefit the
5 customers that we have.

6 MR. MCCALLISTER: And -- and I would say the
7 same for Duke, right. We operate our fuel and
8 generation portfolio in the Carolinas as -- as
9 a system. So the benefits of that lower-cost
10 supply -- well, you know, to the -- to the
11 share that gets allocated to South Carolina,
12 would -- would provide a benefit.

13 And one other note: You know, we were
14 talking earlier about the -- the usage of --
15 of -- of Atlantic Coast Pipeline. You know,
16 Duke would use a very high percentage of that
17 at the very onset. So it's not something we
18 would, you know, be using for peaking needs.
19 It would be something that, when it -- when it
20 comes in service, we expect to utilize a very
21 high percentage of that capacity, given the
22 price advantages, which has the advantage to
23 our portfolio as -- that would, in part, get
24 allocated to South Carolina.

25 COMMISSIONER WHITFIELD: So the same answer

1 even more so for DEP. You have generation
2 resources in both North and South Carolina
3 that North Carolina -- we all know that --
4 that electrons don't know state lines,
5 so . . .

6 MR. MCCALLISTER: Yep.

7 COMMISSIONER WHITFIELD: And we all know that
8 DEP goes across the state line in both states,
9 so --

10 MR. MCCALLISTER: Yep.

11 COMMISSIONER WHITFIELD: I guess that's what
12 you're trying to tell me.

13 MR. WEINTRAUB: Yes, sir.

14 MR. MCCALLISTER: Yes.

15 COMMISSIONER WHITFIELD: That's all I have,
16 Commissioner Belser.

17 COMMISSIONER BELSER: Commissioner Ervin.

18 COMMISSIONER ERVIN: Thank you. I suppose
19 that there's no alternative route that would
20 bypass -- there's no way to bypass the
21 Appalachian Trail to get -- to get through to
22 the destination; is that fair to say?

23 MR. HESLIN: That's correct, Commissioner
24 Ervin. And the current path runs through the
25 federal lands of the U.S. Forest Service. So

1 that's correct.

2 COMMISSIONER ERVIN: There's no -- no other
3 alternative route even being considered or
4 proposed?

5 MR. HESLIN: I'm not aware of that. My
6 understanding, based on our observations, is
7 that they're appealing the Fourth Circuit
8 decision regarding the Appalachian Trail.

9 COMMISSIONER ERVIN: Well, back to my earlier
10 thought about some kind of negotiated
11 settlement. It might -- you know, one of the
12 things that -- that Duke and Dominion and
13 Southern Company could -- could bring to the
14 table would be a proposal which would
15 accelerate the closure of the coal-fired
16 facilities in exchange for, you know -- in
17 other words, shutting down those coal plants
18 sooner and -- in the event you could get gas
19 to supply the -- you know, the -- the gas --
20 the new gas and existing gas units. That's --
21 that's one thought.

22 And then, you know, solar is -- is
23 expanding -- continues to expand on several
24 levels, and you might could, you know, even
25 get them involved in the negotiations and see

1 if they could assist with meeting demand.

2 That would -- that -- that might be a piece of
3 the puzzle to consider.

4 I know that North Carolina is -- is --
5 already has in place a competitive-bid solar
6 piece, and we're looking at that, as well.
7 We've opened a docket on it. And -- but
8 again, I think that there's -- there's enough
9 common ground to at least try and reach out
10 and see if there's some way you could
11 incorporate some of these things in a proposed
12 IRP or, you know, going forward.

13 The other thing, you know, that
14 everybody's interested in is the -- and we
15 don't talk about much, but we -- we just
16 issued a directive yesterday on energy
17 efficiency. And there's some things that we
18 could do in the entire region in terms of
19 trying to improve energy efficiency on both
20 the residential and commercial-industrial
21 level. And maybe a beefed-up proposal on --
22 in that arena might attract some interest from
23 -- from your opponents because, again, it's a
24 win-win-win situation across the board.

25 And it -- so I'm -- I'm looking for long-

1 term solutions. I know it's not easy, but
2 it's worth a try. We don't really have other
3 options. And having been in the litigation
4 business early in my career, I always told
5 parties, you know, "You've got flexibility in
6 settlement negotiations that you don't have in
7 court." Just because you get a legal issue
8 resolved doesn't mean you win. It probably
9 means you've got more litigation in front of
10 you. And that's just time -- time consuming
11 and costly, so I always encouraged, when I was
12 a circuit judge, to -- to -- to -- to -- to
13 parties involved to look at the freedom of
14 flexibility of a mediation. You -- you can
15 always walk away if you can't reach an
16 agreement. But, at the same time, if you
17 begin discussions, sometimes everybody's
18 surprised that you can find a path forward.

19 And so I just encourage you to look at
20 that option. Thank you. Appreciate your
21 presentation today.

22 And, you know, the other thing we haven't
23 really talked about, but Santee Cooper is up
24 for sale. And there are a lot of coal-fired
25 plants in their system. And -- and, you know,

1 they're going to need to convert at some point
2 to natural gas. So we've got that other piece
3 out there that there are a lot of residents in
4 South Carolina that could benefit from cheaper
5 natural gas. I -- I looked at Bloomberg this
6 morning, and the natural gas future prices
7 have now slumped because of this supply glut --
8 glut that we have. The supply and -- has out-
9 seated -- run -- overrun demand. It's 2.54
10 per million Btu's. If it finishes the year at
11 that level, it will be the lowest average gas
12 prices since 1999. And it's projected to
13 continue in that realm. And I'll send you a
14 copy of this article because I know you have
15 to have it for your -- Jeff, for your record.

16 MR. NELSON: Thank you.

17 COMMISSIONER ERVIN: But I'll e-mail a copy to
18 -- to our chief counsel, and he can forward it
19 to you. But because of the 750,000 net acres
20 in the Marcellus and Utica shale formations,
21 which stretch from West Virginia to
22 Pennsylvania and Ohio, the -- Chevron has had
23 to write down on their earnings because
24 they're losing so much money from the -- the
25 -- the price -- the cheap price of natural

1 gas. They -- they announced today that they
2 expect to write down as much as \$11 billion in
3 fourth quarter alone. \$11 billion. That's
4 money that our ratepayers could save if we had
5 access to that natural gas, you know, all
6 throughout the region, and all boats rise with
7 the tide. If -- like just like was said
8 earlier, if -- if we were able to get cheaper
9 natural gas in our state, it could be a
10 renaissance for the PeeDee. And we were in a
11 public hearing Monday night down on the coast
12 near Bluffton, Coosawassie Island. Is that
13 how you pronounce that?

14 COMMISSIONER WHITFIELD: Callawassie.

15 COMMISIONER BELSER: Callawassie.

16 COMMISSIONER ERVIN: Callawassie Island. And
17 I was amazed at the kind of growth on the
18 coast. And I'm sure we're seeing that through
19 North Carolina, Virginia. But the residential
20 development's just taken off with Sun City
21 down in South Carolina, and a lot of the
22 snowbirds from the Northeast are coming down
23 and retiring because of the quality of life
24 and cost of living. They would love to have
25 their utility bills levelized or dropped in

1 the future. And these -- as you retire, your
2 income -- you took -- it can go down and we --
3 we -- so we need to look at these issues
4 because it's out there if we can get it here.
5 And -- but I think it's an important issue,
6 and it's -- it's one that's -- it ties into
7 everything we do because to the extent that we
8 can reduce that winter-peak load, it also
9 factors back into ratemaking, avoided costs,
10 and the like. And that's what we all need to
11 be working toward. Thank you for your
12 presentation.

13 MR. WEINTRAUB: Thank you.

14 COMMISSIONER BELSER: Thank you, Commissioner
15 Ervin. I have one brief question. I think
16 this would go to Mr. McCallister. And it's on
17 your Slide 14 that shows the Piedmont system.

18 (Slide 14)

19 MR. MCCALLISTER: Yes. Okay.

20 COMMISSIONER BELSER: I was just curious about
21 the Cardinal line. Who -- who owns that?

22 MR. MCCALLISTER: Cardinal is -- is owned by
23 three parties: Transco, Piedmont, and Public
24 Service --

25 COMMISSIONER BELSER: Okay.

1 MR. MCCALLISTER: -- of North Carolina.

2 COMMISSIONER BELSER: And that's just kind of
3 a connecting line to get the gas --

4 MR. MCCALLISTER: Yes. It's --

5 COMMISSIONER BELSER: -- from Transco over
6 into the eastern --

7 MR. MCCALLISTER: Yes. It is a connecting
8 line from the north of Transco's own pipe into
9 the Piedmont system down near Goldsboro.

10 COMMISSIONER BELSER: It just kind of jumped
11 out because it was such a bright color
12 compared to the others.

13 MR. MCCALLISTER: You know, there's a lot of
14 -- a lot of pipelines on this map, so we had
15 to get creative with some of the colors.

16 MR. WEINTRAUB: And -- and that line is fully
17 subscribed, as is most of the pipelines that
18 we show here, because of the growth that you
19 see in the Raleigh Triangle/Durham area, as
20 well.

21 COMMISSIONER BELSER: Okay. Thank you.

22 COMMISSIONER WHITFIELD: Commissioner Belser,
23 do you mind if I have a quick follow-up to
24 what you just asked?

25 COMMISSIONER WHITFIELD: Commissioner

1 Whitfield.

2 COMMISSIONER WHITFIELD: That line is the very
3 example of some of the laterals you're saying
4 that ACP would allow you to avoid building?

5 MR. WEINTRAUB: That's correct.

6 COMMISSIONER WHITFIELD: All right.

7 MR. MCCALLISTER: Absolutely.

8 COMMISSIONER BELSER: Ms. Smith, anything
9 further --

10 MS. SMITH: No.

11 COMMISSIONER BELSER: -- from the company?

12 Mr. Nelson, anything further?

13 MR. NELSON: No, ma'am.

14 COMMISSIONER BELSER: Thank you very much for
15 your presentations today, gentlemen.

16 Certainly presented us with a lot of
17 information. There be nothing -- there being
18 nothing further, we will adjourn this session
19 and thank everyone for attending.

20 (WHEREUPON, at 11:17 a.m. the
21 proceedings in the above-entitled
22 matter were adjourned.)

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